

FY 16 Projected Deficiencies

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OFFICE OF FISCAL ANALYSIS

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The following is provided to help the committee understand the level of deficiency funding that is needed for the current year.

The Office of Fiscal Analysis (OFA) is currently projecting \$63.8 million in General Fund state agency funding shortfalls. This differs from the Office of Policy and Management's (OPM) projection of \$8.5 million by a total of \$55.3 million. The following table displays the level of funding needed by agencies as projected by OFA and OPM.

**FY 16 State Agency Estimated Deficiency Needs OFA/OPM Comparison
(in millions)**

Agency	OFA \$	OPM \$	Difference \$
General Fund			
Debt Service - State Treasurer	39.3	-	39.3
Department of Correction	7.2	-	7.2
Office of Early Childhood	6.2	6.5	(0.3)
State Comptroller - Miscellaneous	6.1	-	6.1
Public Defender Services Commission	4.4	1.6	2.8
Office of the Chief Medical Examiner	0.5	0.4	0.1
TOTAL	63.8	8.5	55.3

OFA's deficiency projections are based on a comparison between the agency's available funding and estimated annual spending. Available funding is generally lower than the original appropriation level due to OPM holdbacks of funding to meet lapse targets.

Based on current data, state agencies will require \$63.8 million in deficiency appropriations or transfers from other areas to fund projected FY 16 costs. This assumes that \$8.6 million in allotment holdbacks in the associated agencies (as a result of budgeted lapses) are not released by OPM. The deficiency amounts represent 2% of these agencies' total FY 16 available funding, assuming all holdbacks are not released.

The following table includes the agency's FY 16 appropriation, total level of available funding (less holdbacks and rescissions plus any transfers for collective bargaining costs from the Reserve for Salary Adjustments account), estimated expenditures, and projected deficiency amount.

FY 16 Estimated Agency Deficiency Needs¹ (in millions)

Agency	Budgeted Appropriation \$	Available Appropriation ² \$	Estimated Expenditures \$	Deficiency without release of holdbacks \$	Deficiency with release of holdbacks \$
General Fund					
Debt Service - State Treasurer	1,937.6	1,937.6	1,976.9	(39.3)	(39.3)
Department of Correction	693.4	680.6	687.9	(7.2)	-
Office of Early Childhood	295.0	294.3	300.5	(6.2)	(6.0)
State Comptroller - Miscellaneous	69.6	69.2	75.3	(6.1)	(5.8)
Public Defender Services Commission	70.3	69.3	73.7	(4.4)	(3.8)
Office of the Chief Medical Examiner	6.2	6.1	6.6	(0.5)	(0.4)
TOTAL				(63.8)	(55.2)

¹ Totals may not appear to add up due to rounding.

² Appropriation less budgeted lapses (holdbacks) and rescissions; plus transfers from the Reserve for Salary Adjustments account to cover the costs of collective bargaining agreements that were not otherwise provided in the agencies' budgets.

Detail on each agency's deficiency needs appears on the next page.

Detail on the Total Net Deficiencies \$63.8 million
(The following assumes that holdbacks will not be released by OPM.)

Office of the State Treasurer - General Fund Debt Service - \$39.3 million

The agency's projected FY 16 budget shortfall is composed of:

- \$39.3 million in Debt Service.

The projected \$39.3 million shortfall in the General Fund Debt Service account is predominately due to a lower level of premium income related to the issuance of General Obligation bonds. This represents 2.4% of the FY 16 appropriation. The FY 16 budget included a reduction of \$142.8 million below the level requested by the Office of the State Treasurer primarily due to the anticipated receipt of premiums on bond issuances in the current fiscal year. To date, \$42.1 million of the anticipated \$142.8 million has been received and OFA projects that an additional \$61.4 million will be received from various sources by the end of the fiscal year.

Department of Correction - \$7.2 million

The agency's projected FY 16 budget shortfall is composed of:

- \$7.2 million in Personal Services.

The \$7.2 million projected shortfall in the Personnel Services account is due to not meeting the holdbacks, or budgeted lapses assigned by OPM. The agency had a total holdback of \$10.9 million assigned to the Personal Services account. In addition, the FY 16 budget included an overtime savings target of \$5.3 million and \$10.6 million of savings related to Second Chance initiatives. The deficiency represents 1.7% of the agency's Personal Services appropriation.

Office of Early Childhood - \$6.2 million

The agency's projected FY 16 budget shortfall is composed of:

- \$6.2 million in Early Intervention.

The \$6.2 million projected shortfall in the Early Intervention account (25.1% of the FY 16 appropriation), commonly known as Birth to Three, is due to several factors: (1) underfunding of the Birth-to-Three program over the past three years, (2) an increase in the number of children served, (3) an increase in the number of children requiring more intensive services, and (4) an increase in federally funded infrastructure supports.

The Early Intervention account expenditures have been increasing over the past three years, from \$35.4 million in FY 13 to \$42.1 million in FY 15. This has resulted in a transfer of funding from other accounts (via an FAC transfer) to cover the shortfalls. In FY 13, Department of

Developmental Services (DDS) transferred \$497,000 from the Employment Opportunities and Day Services to the Early Intervention account to support the Birth-to-Three program, while in FY 15 DDS transferred \$2.9 million from Personal Services. The FY 16 and FY 17 Budget transferred the Birth-to-Three Program from DDS to OEC. The amount transferred to OEC for the reallocation of the program did not include supplemental funds to cover the full program costs. Additionally, the FY 16 expenditure requirements include \$500,000 in unpaid FY 15 invoices, resulting in a total cost of \$3.4 million over budget.

The number of children in the Birth-to-Three program is projected to increase by 3.7%, resulting in a cost of approximately \$1.9 million. The number of children requiring intensive services (primarily those diagnosed with an autism spectrum disorder) is also increasing, resulting in a cost of approximately \$400,000.

An additional \$500,000 in higher than budgeted costs is attributable to supporting program costs that were previously supported by federal funds. Those federal funds are now being used for federal infrastructure supports including salaries and fringe benefits.

Office of State Comptroller - Miscellaneous - \$6.1 million

The agency's projected FY 16 budget shortfall is composed of:

- \$6.1 million in Adjudicated Claims.

The \$6.1 million projected shortfall (25% of the FY 16 appropriation) is due to higher than budgeted normal claims costs. Average normal claims experience over the past 10 years, after adjusting for large settlements, has been approximately \$8.0 million annually. As of October, \$8.8 million has been expended. Normal claims experience for FY 16 is projected to be \$10.2 million, \$6.1 million greater than the historical \$4.1 million appropriation.

The total FY 16 appropriation of \$24.8 million, included \$20.8 million for settlement costs associated with the State Employees' Bargaining Agent Coalition (SEBAC) versus the State (commonly referred to as the Rowland settlement).

Public Defender Services Commission - \$4.4 million

The agency's projected FY 16 budget shortfall is composed of:

- \$4.3 million in Assigned Counsel; and
- \$0.3 million in Expert Witnesses.

This shortfall is partially offset by \$150,000 lapsing funds from the following accounts:

- \$77,000 in Other Expenses;
- \$70,000 in Contracted Attorneys Related Expenses; and
- \$3,000 in Training and Education.

A total projected shortfall of \$4.6 million is due to a deficiency of \$4.3 million (19.6% of the appropriation) in the Assigned Counsel account and \$0.3 million (10% of the appropriation) in the Expert Witnesses account.

The Assigned Counsel deficiency of \$4.3 million is due to: (1) an increase in child protection cases (\$3.8 million); and (2) an increase in habeas cases (\$528,000). In child protection cases, the Division of Public Defender Services is required to provide counsel for all children whose parents are deemed indigent and for any party where the court orders counsel. In FY 14 there were a total of 8,364 child protection cases (697 per month) and in FY 15 there were a total of 10,307 cases (859 per month). It is anticipated that there will be a total of approximately 12,000 cases in FY 16. From July through October of FY 16 they have averaged approximately 1,203 cases each month. While the number of child protection cases has increased significantly since FY 14, the funding level has remained the same at \$7.6 million. Child protection cases are assigned to outside counsel and are paid through the Assigned Counsel account at a flat rate of \$500 per case (attorneys can also petition for an hourly rate). The estimated 3,600 additional cases in FY 16 will require approximately \$3.8 million in additional funding.

In addition to the deficiency due to the child protection increases, PA 12-115, *An Act Concerning Habeas Reform*, reduced the time in which a habeas petition can be filed, and resulted in an influx of habeas petitions received by the agency. Habeas petitions have doubled since the legislation passed. Previous to the legislation, the agency averaged 25 petitions per month, or 300 per year. Since the legislation passed, the agency has averaged 50 petitions per month, or 600 per year. In FY 16 to date, the agency has been averaging approximately 54 petitions per month, or 648 per year. The cost per case can vary significantly depending on the complexity of the appeal but on average costs approximately \$11,000 per case. The additional 48 cases in FY 16 will require approximately \$528,000 additional funding in FY 16.

Funds in the Expert Witnesses account are used, in part, to support habeas cases, which have increased significantly, as explained above. The cost per case is, on average, approximately \$2,083 per case.

The projected shortfall is partially offset by projected lapses in various accounts totaling \$150,000.

Office of the Chief Medical Examiner - \$497,000

The agency's projected FY 16 budget shortfall is composed of:

- \$372,000 in Personal Services (PS); and
- \$125,000 in Other Expenses (OE).

The \$372,000 shortfall in PS represents 7.7% of the FY 16 appropriation in the account. The \$125,000 shortfall in OE represents 9.3% of the FY 16 appropriation in the account. The shortfall in PS predominantly reflects overtime expenses (\$350,650), which are anticipated to increase by 36.5% from FY 15 to the end of the fiscal year. Expenditures in OE are projected to be 17.4% greater in FY 16 (\$1.4 million) than in FY 15 (\$1.2 million). Primary cost drivers for OE are laboratory services, and body transportation. CME's overall caseload continues to rise. The Office is open 24 hours a day, every day of the year. It is charged to investigate all human deaths that fall into the following categories:

1. Violent (whether apparently homicidal, suicidal, or accidental);
2. Sudden, or unexpected, that are not caused by a readily recognizable disease;
3. Under suspicious circumstances;
4. Related to disease resulting from employment;
5. Related to disease that might constitute a threat to public health; and
6. The bodies of the deceased to be cremated.¹

¹There is a \$150 fee for this investigation and the associated certificate, which is usually handled through the funeral director of the family's choice. The revenue from the fee (\$2.3 million in FY 15) is deposited into the General Fund.